

# The Utah Public Treasurer

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## PTIF Dates Observed

November 11	Veterans Day
November 25	Thanksgiving
December 24	Christmas
December 31	New Year's
January 17	Martin Luther King
February 21	President's Day

June 30, 2010 GASB Factor:

**1.00385638**

## Market and PTIF Portfolio Review

Stocks rallied during the third quarter, with equities experiencing their best September in over 70 years. The Dow finished the month up 10.4%, 70 points shy of where it stood six months earlier. Many question the strength of the economic recovery, and investors are hopeful the November elections will reduce nagging uncertainties regarding tax policy and government regulations.

There are growing indications that the Federal Reserve is likely to engage in additional quantitative easing (the purchase by the Fed of government securities to increase liquidity). These expectations contributed to a decline in the yield on the two year treasury note to a record low of 0.40%, down from 0.63% three months ago.

Globally, concerns remain about European debt, especially in Ireland and Portugal. There is also concern a trade war could be brewing with China over restrictive currency policies. Here at home, the jobless rate remains over 9%, and is expected to show no real improvement until late 2011.

Foreclosures continue to plague the housing market and U. S. courts. Almost one fourth of U. S. home sales in the second quarter

involved properties in some stage of distress. In August, lenders took possession of a record 95,364 homes and issued foreclosure notices to 338,836 homeowners, or one out of every 381 U. S. households. News of lawsuits contesting foreclosures from some of the nation's largest home lenders due to defective documentation could haunt the nation for the next decade. Attorneys general in several states are investigating claims regarding misstate-

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ments and have discovered errors in about three fourths of court filings related to home repossessions.

Recent reports are raising doubts about the ability of state and local governments to repay debt, due to an unsustainable gap between public spending and revenue. States are facing budget gaps

of \$72 billion next fiscal year, which will likely result in cuts to local government aid from numerous states.

Corporations continue to take advantage of historically low interest rates and investor demand remains strong for new debt amid a shortage of paper. A record \$159 billion in corporate debt was sold in September. Corporations are flush with cash. As of June 30 2010, industrial companies in the S & P 500 had a record \$843 billion in cash, up from \$773 billion a year earlier. Short term investors continue to face falling yields as well as a dearth of available securities.

LIBOR rates have fallen back to their historical lows, which will have a negative impact on the PTIF's yield. The decline in the pool's yield reflects quarterly resets to lower levels on variable-rate securities, in combination with low-yielding short-term paper that over time is replacing higher-yielding maturities.

A move towards additional quantitative easing by the Fed, combined with a still-anemic economy that is strapped with persistent problems in the housing sector and excessive rates of unemployment, together suggest that short-term rates will stay very low for the foreseeable future.

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## PTIF & Market Rate Summary

### Top Ten Holdings

Holding	% of Total
Merrill Lynch Premier Institutional Fund	4.78%
Blackrock Temp Fund	4.33%
J.P. Morgan Chase	3.65%
General Electric Capital	3.59%
Federated Prime Value Obligations Fund	3.52%
Morgan Stanley	3.31%
Goldman Sachs	3.16%
Hewlett Packard	3.07%
American Express	3.07%
Verizon Wireless	3.05%

### Key Rate History

	Current September 2010	Prior Quarter June 2010	Year Ago September 2009
Fed Funds Target	0 – 0.25%	0 – 0.25%	0 – 0.25%
3 Month Treasury	.15	0.17	.13
3 Month LIBOR	.29	.53	.29
30 Day A1/PI CP	.30	.40	.24
1 Year Treasury	.25	.30	.39
2 Year Treasury	.43	.62	1.02

Data as of 9/30/2010

### Portfolio Summary

Average adjusted maturity	65 days
Maturing or repricing within 30 days	47%
Maturing or repricing within 90 days	81%
360-Day Basis Yield on 9/30/2010	.55%
365-Day Basis Yield on 9/30/2010	.56%

### Portfolio Composition

